

A photograph of a doctor in a white lab coat, seen from the chest up. A stethoscope is draped around their neck. They are holding a silver tablet with both hands. The tablet screen displays the text 'Certificate of Need' in a large, bold, black font. The background is a plain, light-colored wall.

Certificate of Need

Michigan's health care
blueprint balances
cost, quality and access.

MICHIGAN'S BLUEPRINT FOR HEALTH CARE



An efficient operation

Forty years ago, Michigan's legislative leaders stepped forward to shape a health care guideline that would balance cost, quality and access and to ensure that only essential services and facilities would be developed.

The legislature enacted **Certificate of Need** in 1972 to establish a rigorous review process in order to avoid a glut of health care overbuild. Four decades later – after updates in 1988, 1993 and 2002 – it continues to be an efficient method for Michigan to provide the best available and accessible medical care at a reasonable cost.

The state continues to do its part by ensuring the availability and accessibility of quality health services at a reasonable

cost and within a reasonable geographical proximity for all residents throughout the state. Ninety-eight percent of the statewide population, for example, lives within a 30-minute drive of a hospital.

In short, Certificate of Need continues to be a sensible and responsible method of increasing and expanding health care facilities and services.

Perhaps most importantly, this rigorous review process has gained the support of a broad-based coalition of business, consumer, hospital, payer, union and other associations who believe it helps control unnecessary costs while helping to improve access to quality health services throughout the state.

Medical projects that require certification

The Certificate of Need program balances the cost, quality, and access of Michigan's health care system. Services and facilities are reviewed to make sure each one meets the need and cost requirement of the state. The following types of projects must obtain a Certificate of Need:

Any increase in the number of licensed beds; relocation of licensed beds from one geographic site to another geographic site; replacement of beds.

Acquisition of an existing health facility, which has been defined as a hospital; a psychiatric hospital or unit; a nursing home; a freestanding surgical outpatient facility; HMO (only for limited projects).

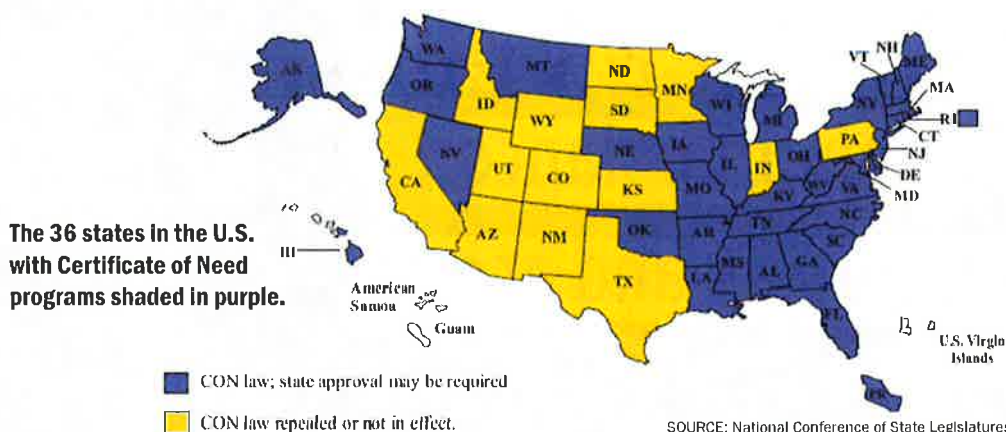
Operation of a new health facility.

Initiation, replacement, or expansion of covered clinical services such as:

- ♦ Air ambulances (helicopters);
- ♦ Cardiac catheterization services;
- ♦ Computed tomography (CT) scanners;
- ♦ Hospital beds;
- ♦ Magnetic resonance imaging (MRI);
- ♦ Megavoltage radiation therapy (MRT);
- ♦ Neonatal intensive care units (NICU);
- ♦ Nursing home/hospital long-term care beds; open heart surgery;
- ♦ Positron emission tomography (PET) scanners;
- ♦ Psychiatric beds;
- ♦ Surgical services;
- ♦ Transplantation services (bone marrow, including peripheral stem cell; and heart/lung and liver);
- ♦ Urinary lithotripters.

Making a covered capital expenditure related to a health facility or health services (listed above) that is above the current threshold of \$3,012,500.

Initiation of a short-term nursing care program (swing beds).



Cost-control competitiveness gives state advantage over its neighbors

Michigan businesses – both large and small – have been saving money on health care for a long time, and one of the primary reasons why traces back to the state's ability to manage costs and services through its Certificate of Need program.

Which is something that not every state with a Certificate of Need presence can claim. And those without Certificate of Need are trying to figure out how to control the explosion of services and costs as hospitals and medical groups continue to expand beyond what their communities truly need.

Here are some of the reasons why Michigan has succeeded, as cited in a 2011 study conducted by the Center for Studying Health System Change for the nonpartisan, nonprofit National Institute for Health Care Reform:

- **Michigan is one of the few Certificate of Need states** with a formal advisory role for stakeholders, employers, consumers and other interested parties through a standard advisory committee and a new medical technology advisory committee;
- **Michigan's Certificate of Need contributes to greater trans-**



parency and objectivity: the state divides responsibility for setting CON review standards and the actual review of CON applications between an appointed commission and the state Department of Community Health;

➤ **In five of the six states studied (Connecticut, Georgia, Illinois, South Carolina and Washington), the Certificate of Need process can be highly subjective** and tends to be influenced heavily by political relationships, such as a provider's clout, organizational size, or overall wealth and resources, rather than policy objectives.

This type of financial advantage for Michigan's businesses cannot – and should not – be overlooked as a means for keeping the state ahead of its neighboring competition.

The Certificate of Need program is one of the single best ways to help keep rising health care costs in check, making sure there is a real, true need for a new hospital or expensive equipment before any money is spent. This simple concept protects Michigan businesses and consumers from runaway health care costs.

Michigan's Hospital Costs Lower Than Regional Average (According to 2007 data)

State	Cost/EIPA	Wage-Adjusted Cost/EIPA	Teaching- and Wage-Adjusted/EIPA
Michigan	\$9,604	\$9,425	\$8,324
Illinois	9,678	9,640	8,627
Indiana	10,239	10,311	9,856
Ohio	9,632	9,862	8,444
Pennsylvania	9,757	10,410	9,326
Wisconsin	10,145	9,697	9,300
5-state average	9,890	9,984	9,111
Above Michigan	3%	5.9%	9.5%

EIPA (equivalent inpatient admission) is a proxy statistic that measures both inpatient and outpatient volume.

** In a five-state comparison of hospitals costs in 2007 (above), Michigan's overall spending ranked consistently lower than the neighboring states of Illinois, Indiana, Ohio, Pennsylvania and Wisconsin. Michigan's hospital costs were slightly above (1.8 percent) the national average in 1992. Since then, however, Michigan had the ninth lowest rate of cost increase of any state in the country. Michigan's rate of cost increase – 63 percent – was notably lower than the national average of 75 percent.*

Automakers agree: CON has kept health care costs in line

A recent cost analysis comparison for the Big 3 automakers points to the financial advantages of Certificate of Need.

In 2009, the combined CT scan and MRI costs for Chrysler, Ford and General Motors in Michigan (excluding HMO and Medicare members)

totaled about \$41 million. In eight carmaking states without Certificate of Need, the cost of those same CT and MRI scans would have been \$18 million more.

The cost per covered life for CT scans was 67 percent higher in states without Certificate of Need, due to higher utilization and cost per scan; the cost per covered life for MRI was 20 percent higher in non-CON states.



MICHIGAN'S BLUEPRINT FOR HEALTH CARE

FRIENDS OF CERTIFICATE OF NEED

The following organizations comprise a broad range of Michigan business, consumer, hospital, payer, union and other associations. They actively support Certificate of Need because it is an effective tool to avoid unnecessary costs while improving access to quality health services.

ASSOCIATIONS, CONSUMERS AND PAYERS

Alliance for Health
Blue Cross Blue Shield of Michigan
Detroit Regional Chamber
Economic Alliance for Michigan
Grand Rapids Area Chamber of Commerce
Michigan League for Human Services
Michigan Manufacturers Association
Small Business Association of Michigan
Value Health Partners

BUSINESSES

Chrysler Group, LLC
Delphi Corporation
Ford Motor Company
General Motors Company
ITH Staffing Solutions
Kushner & Company
Lacks Enterprises
Lear Corporation
Meijer, Inc.

LABOR ORGANIZATIONS

International Union, UAW
Michigan State AFL-CIO
Michigan Education Association
United Steelworkers, District 2
SEIU Michigan State Council
Utility Workers, Local 223

HOSPITALS AND HEALTH SYSTEMS

Borgess Health, Kalamazoo
Botsford General Hospital, Farmington Hills
Beaumont Hospital, Grosse Pointe
Beaumont Hospital, Royal Oak
Beaumont Hospital, Troy
Bronson Battle Creek, Battle Creek
Bronson Hospital, Kalamazoo
Bronson Hospital, Vicksburg
Covenant Medical Center, Saginaw
Crittenton Hospital, Rochester
Detroit Medical Center
♦ Children's Hospital of Michigan
♦ Detroit Receiving Hospital
♦ Harper University Hospital
♦ Huron Valley Sinai Hospital, Commerce Township

♦ Hutzel Women's Hospital
♦ Kresge Eye Institute
♦ Michigan Orthopedic Specialty Hospital, Madison Hts.
♦ Rehabilitation Institute of Michigan
♦ Sinai-Grace Hospital

Genesys Health System, Grand Blanc
Marquette General Health System
MidMichigan Health, Midland
MidMichigan Medical Center, Midland
MidMichigan Medical Center, Clare
MidMichigan Medical Center, Gladwin
Munson Healthcare, Traverse City
Munson Medical Center, Traverse City
Oaklawn Hospital, Marshall

Oakwood Healthcare, Inc., Dearborn
♦ Oakwood Annapolis Hospital, Wayne
♦ Oakwood Hospital, Medical Center, Dearborn
♦ Oakwood Heritage Hospital, Taylor
♦ Oakwood Southshore Medical Center, Trenton
Saint Mary's of Michigan, Saginaw

Spectrum Health System, Grand Rapids

♦ Butterworth Hospital
♦ Blodgett Hospital
♦ Helen DeVos Children's Hospital
♦ Gerber Memorial Hospital, Fremont
♦ Kelsey Memorial Hospital, Lakeview
♦ Reed City Hospital, Reed City
♦ Spectrum Health Continuing Care
♦ United Memorial Hospital, Greenville
♦ Zeeland Community Hospital, Zeeland
Trinity Health-Michigan, Novi
♦ Mercy General Health Partners, Muskegon
♦ Mercy Hospital, Cadillac
♦ Mercy Hospital, Grayling
♦ Mercy Hospital, Port Huron
♦ St. Mary's Health Care, Grand Rapids
♦ St. Joseph Mercy Livingston Hospital, Howell
♦ St. Joseph Mercy Oakland, Pontiac
♦ St. Joseph Mercy of Macomb, Clinton Township
♦ St. Joseph Mercy Saline Hospital, Saline
♦ St. Joseph Mercy Hospital, Ann Arbor
♦ Saint Mary's Mercy Hospital, Livonia
University of Michigan Health System